

## The Commission's Approach

*Q1 How should the Commission think about the concept of housing affordability – its meaning and measurement? Should the Commission focus its work on affordability as it impacts on lower income households or should the focus be broader and examine the market as a whole?*

The focus needs to be broader as changes at the lower level affect the higher levels and vice-versa.

### Submission 1.

*Q2 Does this stylised framework (Figure 1) capture all the important determinants of housing affordability? Are there others that are important?*

### Submission 2.

*Q3 Is there a more appropriate framework for examining the housing market and issues of affordability?*

### Submission 3.

## Recent trends in housing markets

*Q4 What factors have caused recent housing price increases? Are some of them temporary?*

- 1) Government regulation – energy efficiency- structural codes-
- 2) Shortage of Land supply
- 3) Restrictive Planning rules

### Submission 4.

*Q5 What evidence is there that there was a 'bubble' in housing prices? Were house prices previously undervalued?*

There have always been bubbles of varying scales during which sometimes it is cheaper to build new and other times cheaper to buy old. The leaky homes crisis has severely depleted the available stock of good newer second hand houses which will further increase prices.

**Submission 5.**

*Q6 What effects have price rises in housing had on the affordability of home ownership?*

**Submission 6.**

*Q7 Are median price trends representative of trends within housing sub-markets?*

Median price trends have little value. On a National level there are numerous markets with their own price drivers and at a regional levels there are numerous sub-markets also with their own price drivers.

**Submission 7.**

*Q8 What is the best way to segment the market, and are there significant house price variations confined to specific market segments?*

**Submission 8.**

*Q9 Why have different parts of New Zealand (cities and regions) experienced different trends in housing prices?*

**Submission 9.**

*Q10 How should affordability for home buyers/owners be defined and measured, both in principle and in practice (taking account of data availability)? Is it possible to assess affordability using a single measure?*

Affordability can only measured at a regional level by comparing median regional wages with regional median prices.

**Submission 10.**

*Q11. What has happened to affordability over time and what has caused this? Is it lower now than at times in the past? Does it reflect different influences to previous episodes of declining/increasing affordability?*

**Submission 11.**

*Q12 Do affordability trends differ for first home buyers with different income and household characteristics?*

**Submission 12.**

*Q13 Do they capture adequately, the problems facing those on lower incomes or those in particular locations (such as the urban fringe or rural areas)?*

**Submission 13.**

*Q14 How should affordability for renters be defined and measured, both in principle and in practice (taking account of data availability)? Is it possible to assess rental affordability using a single measure?*

*This also needs to be measured at a regional or even better sub-regional level.*

**Submission 14.**

*Q15 What has happened to rental affordability over time in relation to both house purchase prices and household incomes? Do rental affordability trends differ across different locations or for certain household characteristics?*

**Submission 15.**

*Q16 What factors have influenced the price of renting relative to house purchase prices? Are the current rental affordability trends likely to persist, or are they temporary?*

**Submission 16.**

*Q17 What has been the impact of existing government programmes to assist first home buyers?*

**Submission 17.**

*Q18 What are the key drivers of the decline in home ownership rates?*

**Submission 18.**

*Q19 To what extent are changes in home ownership levels explained by changing tenure preferences? Have changes in the New Zealand rental market been a factor in explaining declining home ownership rates?*

**Submission 19.**

## Markets for housing

*Q20 How should housing markets be defined in New Zealand? What are the key factors that distinguish housing sub-markets?*

### **Submission 20.**

*Q21 Do housing price trends for the various sub-markets differ? Are such differentials sustained or temporary?*

### **Submission 21.**

*Q22 What are the characteristics of investors in housing? How much of the recent activity in housing is coming from small, first-time investors? Has offshore investment been a feature in the New Zealand housing market? What market segments have seen the most investment activity?*

### **Submission 22.**

*Q23 What are the major factors that have influenced recent investor activity in housing markets? Is the perceived risk associated with property investment different to that of other types of investments?*

The average NZ investor is put off by the perceived risk and indeterminate value of shares and feels safer with “bricks & mortar”. This is deeply felt and unlikely to change.

### **Submission 23.**

*Q24 What effect has investor activity in housing markets had on housing prices and affordability? Has investor activity influenced prices and affordability in all housing sub-markets, or has the effect been concentrated in particular areas such as apartments and medium-density housing in the cities or particular locations?*

### **Submission 24.**

*Q25 Why is there little institutional investment in the private rental market in New Zealand?*

### **Submission 25.**

*Q26 What practices of real estate agents impact on housing prices and affordability? Has the effect been significant? Has the recently introduced Real Estate Act 2008 and stronger regulation of agents made a difference to the influence of real estate agents?*

I do not believe real estate agents “create” impacts but they do respond to them.

**Submission 26.**

*Q27 Is there scope to improve the practices of the real estate sector? If so, how? What would be the effects on housing prices and affordability?*

**Urban planning, design and land use policies.**

*Q28 What are the relative costs and benefits of intensification and expansion (greenfields development) to urban planning? What research literature and overseas developments are most relevant to New Zealand?*

**Submission 28.**

*Q29 How do these different approaches to urban planning support competitiveness and economic growth?*

**Submission 29.**

*Q30 To what extent do these different approaches to urban planning support environmental objectives?*

**Submission 30.**

*Q31 In New Zealand, do home-owners prefer living in dense urban settlements or less dense suburban developments? What are the reasons for this preference?*

Overall the preference is for less dense suburban developments but the emphasis changes at different age points- younger individuals prefer dense urban settlement for lower cost and close proximity to the buzz of the city. Once they have families the appeal is for more open space and privacy. This is maintained for a large proportion of adult life with some returning to the denser urban life in old age.

**Submission 31.**

*Q32 Has there been a reduction in the rate of land release, either at the urban fringe or in in-fill areas? If so, why?*

Council policies are trying to intensify central areas at the expense of the natural desire to own an individual house on its own plot of land.

**Submission 32.**

*Q33 Are local authorities' land release policies enabling or constraining the supply of land for development?*

Constraining as per 31 above

**Submission 33.**

*Q34 What is the likely minimum lead time for release and development of new land and housing?*

**Submission 34.**

*Q35 Is land release delayed unnecessarily either by inadequate supply of infrastructure services or a lack of responsiveness on the part of infrastructure service providers? If so, to what extent is this affecting development costs?*

**Submission 35.**

*Q36 Are the planning policies that are designed to encourage higher density housing consistent with, and flexible enough to accommodate, changing community preferences?*

No. The policies are driven by a desire to impose a theoretical ideal rather than respond to actual needs.

**Submission 36.**

*Q37 Is there evidence of 'land banking' by some developers? Is this a problem?*

**Submission 37.**

## **The Urban Planning System.**

*Q38 Is the current planning regulatory system more complex and fragmented than it needs to be? Does the planning system include elements that detract from quality urban development and impose unnecessary costs and uncertainty on developers?*

### **Submission 38.**

*Q39 How could urban planning and development be improved to better integrate strategies for land use, economic development, transport and infrastructure?*

### **Submission 39.**

*Q40 Do local authority planning schemes and approval processes create unnecessary costs? If so, how could they be improved?*

### **Submission 40.**

*Q41 Do external or third-party appeal mechanisms unnecessarily delay planning approvals?*

### **Submission 41.**

## **Infrastructure charges.**

*Q42 What infrastructure costs should be recovered through infrastructure charges? Should the costs of providing services such as schools, parks and libraries be recovered via infrastructure charges?*

No. These should be funded at a local level by rates. The whole community uses that infrastructure so the cost should be spread over the whole community. Infrastructure charges work on the assumption that any new development is a cost to the community where as the reality is the opposite.

### **Submission 42.**

*Q43 Are current infrastructure charges justified by the efficient cost of providing services? Is there evidence of over-recovery of infrastructure costs?*

Not justified.

### **Submission 43.**

*Q44 Is the basis for calculating infrastructure charges transparent? Is it subject to undue discretion by local authorities?*

**Submission 44.**

*Q45 Are there different regional or local features that justify different approaches to when and how to apply infrastructure charges?*

**Submission 45.**

*Q46 Are infrastructure charges an equitable and efficient way of funding infrastructure services?*

No. ref Q42

**Submission 46.**

*Q47 Do infrastructure charges become fully capitalised into the value of the land?*

**Submission 47.**

*Q48 What alternative methods of funding could deliver fairer and/or more*

*Rates*

**Submission 48.**

**Building controls.**

*Q49 What effect have the 2004 changes to Building Act had on housing prices and affordability?*

Costs have risen due to the continual upgrading of energy and structural requirements along with the increased costs of designing and supervising to meet those requirements.

**Submission 49.**

*Q50 What evidence exists of unnecessary or inappropriate regulation of building? Is there evidence that such regulation is adding unnecessarily to building costs and that the cost of building regulation exceed the benefits?*

This is a difficult balance to achieve but it appears that current regulations and policies are driven by legal advice to avoid potential blame than make buildings safe.

**Submission 50.**

*Q51 Compared with overseas, are there specific New Zealand conditions or peculiarities that necessarily require additional or more costly building controls and standards? For example, New Zealand's geography, topography, seismic activity, wind conditions, water quality, etc.*

Earthquake is the major driver of structural codes but ChCh must not push general standards even higher.

**Submission 51.**

*Q52 To what extent does the building code encourage or accommodate medium to high density housing?*

This more a planning rather than building issue.

**Submission 52**

*Q53 Is there evidence of unnecessary delays in approving building consents? If so, what factors are causing any delays and how could the approval processes be streamlined?*

Current regulations and policies are driven by legal advice to avoid potential blame than make buildings safe.

**Submission 53.**

**Performance of the building and construction industry.**

*Q54 Are construction costs higher than they need to be? If so, why?*

Yes for three reasons 1)Overly conservative building regulation 2) Lack of real competition in the product supply chain which is dominated by a small number of major companies. 3) Small market size

**Submission 54.**

*Q55 Have rising construction costs contributed to rising housing prices and affordability in New Zealand? Yes as per Q54*

*Have construction costs increased because the level of building activity has risen more rapidly than supply capability? What other factors are relevant?*

**Submission 55.**

*Q56 To what extent is the market structure and lack of economies of scale in the New Zealand market a factor in driving the costs of building materials? What are the barriers to achieving greater economies of scale in New Zealand? A major influence which is unlikely to change with NZs small market.*

**Submission 56**

*Q57 Are there any concerns with the level of competition in the building materials market or any other part of the building and construction supply chain? There is a Lack of real competition in the product supply chain which is dominated by a small number of major companies.*

**Submission 57.**

*Q58 Why is there not more standardisation in New Zealand's building and construction sector? Is this driven by consumer preferences or industry approach? New Zealanders tend to be more individualistic and like their home to be "different".*

**Submission 58.**

*Q59 Have skill shortages in the housing and construction industry contributed to rising housing prices and reduced affordability? Are such shortages temporary or are there long-term issues? Have the costs of skills shortages been more significant in particular regions? What impact will the Christchurch rebuild have on skill shortages in the housing and construction industry nationally? Closing down the Building apprenticeship program has resulted in major skill shortages NZ wide which will reach crisis level once Ch Ch rebuild commences. Govt must take a lead in industry training as the market will NOT provide.*

**Submission 59.**

*Q60 Are there differences in productivity between residential and commercial construction sectors? If so, what is driving these differences?*

Commercial construction has greater standardisation and larger scale which improve productivity.

**Submission 60.**

*Q61 Why does there appear to be a high level of rework in the building sector? To what extent is poor quality due to poor design, low skill levels or poor supervision?*

20% poor design, 60% low skill, 20% poor supervision. Note poor design is often driven by cost imperatives.

**Submission 61.**

**Population and demographic change.**

*Q62 To what extent has immigration influenced overall housing demand? Has it been a significant factor in the recent surge in housing prices? Has the influence of immigration on housing prices been uniformly distributed?*

Immigration has a large influence on housing demand and this flows on to prices. Influence is restricted to areas attractive to immigrants.

**Submission 62.**

*Q63 Where has population growth contributed most to rising housing prices?*

Auckland

**Submission 63.**

*Q64 Has population growth been concentrated in the major regional cities? If so, why? Is this changing?*

Cities are where the jobs are for individuals or where the markets are for business.

**Submission 64.**

*Q65 What are the major demographic and social changes that have influenced housing demand? Have these impacted on affordability for first home buyers or affordability more generally?*

People are more prepared to move to more remote locations when the price difference for housing becomes significant.

**Submission 65.**

*Q66 To what extent have changes in household composition affected the demand for housing?*

**Submission 66.**

*Q67 How have household preferences for housing changed? What future demographic trends will be important in influencing housing demand?*

Everyone expects a higher standard of housing than what was acceptable 30 years ago. Bedrooms MUST all be double, MUST have 2 car garage, MUST have family room, MUST have dishwasher, MUST have en suite. All this adds to cost. Immigrants accept a lower standard as they have often grown up in poorer conditions.

**Submission 67.**

*Q68 Does the apparent mismatch between the increasing average size of dwellings being added to New Zealand's housing stock and the projected shift to smaller households raise any market or policy issues?*

Housing expectations are driven by deep social conditioning and will not change easily.

**Submission 68.**

**The role of taxation.**

*Q69 How have taxes affected price and affordability outcomes in the New Zealand housing market, especially for first home buyers?*

Council imposed Development Levies which are a tax have significant impact on affordability.

**Submission 69.**

*Q70 To what extent, and in what way, is the tax treatment of investment housing concessional relative to other income earning assets? If so, has this contributed to inflated demand and prices?*

**Submission 70.**

*Q71 Does the New Zealand tax system influence tenure decisions towards or away from home ownership?*

Housing expectations are driven by deep social conditioning so the tax system does not have great influence.

**Submission 71.**

*Q72 What is the impact of local property taxes (rates) on housing demand? How does the overall burden of taxation on housing in New Zealand compare with other countries?*

**Submission 72.**

**Macroeconomic influences.**

*Q73 Has growth in household incomes been a major factor affecting housing demand, prices and affordability?*

**Submission 73.**

*Q74 To what extent have changes in real and nominal interest rates over the last decade stimulated demand and increased housing prices?*

**Submission 74.**

*Q75 To what extent have housing prices been affected by labour market developments including relatively low unemployment rates during the housing boom period and increases in casual employment?*

**Submission 75.**

*Q76 What other macroeconomic factors have influenced housing prices and affordability?*

**Submission 76.**

*Q77 To what extent have housing prices been affected by the recent performance of equity markets?*

**Submission 77.**

*Q78 How have returns on investment in housing moved over time and relative to other assets?*

**Submission 78.**

**Availability of finance.**

*Q79 How has financial product innovation in home lending, and changes in lending practices, contributed to increasing demand for owner-occupied and investor housing, and house prices? Have the levels of financial product innovation and lending practices changed since the economic downturn?*

**Submission 79.**

*Q80 Are capital markets meeting the needs of home buyers, in particular first home buyers?*

**Submission 80.**

*Q81 To what extent is the financial sector overly exposed to property markets? Should this be a problem? Has the cooling in the housing markets since the economic downturn made a difference to exposure levels?*

**Submission 81.**

*Q82 Are household debt levels in New Zealand a concern? Given household debt levels, what vulnerabilities present the greatest risk to capital markets?*

**Submission 82.**

**Relative costs of renting versus owning.**

*Q83 What are the benefits of owning rather than renting a home, and visa versa? Given the choice, is the preference for renting over home ownership becoming more common in New Zealand?*

NZ does not have a strong history of renting so the aspiration is towards ownership for security, ability to improve and long term investment. Renting offers lower short term costs but sacrifices long term security.

**Submission 83.**

*Q84 How responsive is the demand for owner-occupied housing to changes in rental costs? Do other factors such as borrowing and wealth constraints have a greater influence on home buyer decisions?*

**Submission 84.**

*Q85 Have changes in the costs of renting and ownership caused changes in the level of first home ownership?*

**Submission 85.**

*Q86 Has investor activity influenced the relative cost of renting and home ownership?*

**Submission 86.**

*Q87 To what extent does the design and administration of the Accommodation Supplement influence housing consumption, tenure choices or affordability?*

**Submission 87.**